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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10 SOUTHERN DIVISION

11 SELLER AGENCY COUNCIL, INC.,) SA CV 06-679 AHS (MLGx)
12)
13 Plaintiff,)
14)
15 v.) FINDINGS OF FACT AND
16) CONCLUSIONS OF LAW ON THE
17 KENNEDY CENTER FOR REAL) ISSUE OF ACQUIESCENCE
18 ESTATE EDUCATION, INC.,)
19 et al.,)
20 Defendants.)
21)
22 AND RELATED COUNTERCLAIMS.)
23 _____)
24)
25)
26)
27)
28)

29 I.

30 **BACKGROUND**

31 Plaintiff Seller Agency Council, Inc. ("plaintiff" or
32 "SAC") brought the instant action against Kennedy Center for Real
33 Estate Education, Inc. ("KCREE") and Joe Kennedy ("Mr. Kennedy")
34 (collectively, "defendants/counter-claimants") for breach of
35 contract and a declaration of trademark non-infringement.
36 Defendants/counter-claimants brought a counterclaim for trademark
37 infringement against SAC, RealtyU Group, Inc. ("RealtyU"), and
38 Stephan Swanepoel ("Mr. Swanepoel") (collectively,

1 "plaintiff/counter-defendants"). On September 29, 2008, after a
2 court trial ending in June 2008, the Court issued findings of
3 fact and conclusions of law in support of judgment for defendants
4 and counter-defendants. (Doc. No. 111.) The Court found that no
5 transfer of intellectual property rights from KCREE to SAC had
6 been effected. (Id. at ¶ 18.) The Court also found that SAC had
7 unclean hands, and thus could not seek specific performance of
8 the parties' Stock Purchase Agreement. (Id. at ¶¶ 19-20.)

9 Before trial, the parties stipulated that the
10 plaintiff/counter-defendants' actions would constitute trademark
11 infringement if KCREE was found to be the rightful owner of the
12 intellectual property, and if plaintiff/counter-defendants were
13 not found to have some right to use the marks after July 12,
14 2006, the date of KCREE's cease and desist letter to Mr.
15 Swanepoel and RealtyU. (Id. at ¶ 24.) The Court found that
16 defendants/counter-claimants' conduct after the cease and desist
17 letter led plaintiff/counter-defendants to believe they had
18 permission to use the trademarks, but such consent ended upon
19 entry of judgment and the Court's issuance of a permanent
20 injunction. (Id. at ¶ 25.) Because plaintiff/counter-
21 defendants' use of the trademarks was found to be with
22 defendants/counter-claimants' "consent and acquiescence," the
23 Court declined to award damages. (Id. at ¶ 26.)

24 On defendants/counter-claimants' appeal, the Court of
25 Appeals for the Ninth Circuit noted that it had only "dealt in
26 passing with the concept of acquiescence to infringement," and it
27 had not "articulated a definition or established a practical test
28 for district courts to apply." Seller Agency Council, Inc. v.

1 Kennedy Center for Real Estate Edu., Inc., 621 F.3d 981, 988 (9th
2 Cir. 2010). After reviewing relevant case law, the Ninth Circuit
3 held that "[t]he elements of a *prima facie* case for acquiescence
4 are as follows: (1) the senior user actively represents that it
5 would not assert a right or a claim; (2) the delay between the
6 active representation and assertion of the right or claim was not
7 excusable; and (3) the delay caused the defendant undue
8 prejudice." Id. at 989.

9 The Ninth Circuit vacated the judgment and remanded
10 with instructions for the Court to consider "the scope of
11 [defendants/counter-claimants'] active representations [and] the
12 extent and reasonableness of [plaintiff/counter-defendants']
13 reliance on those representations." Id. at 990. In particular,
14 the Ninth Circuit noted that the Court did not make findings
15 whether defendants/counter-claimants' requests that
16 plaintiff/counter-defendants use the marks for a specific purpose
17 after the July 12, 2006 demand letter "amounted to a *carte*
18 *blanche* to use the marks for any other purposes, whether and to
19 what extent the marks actually were used for other purposes, or
20 whether it was reasonable in light of the cease-and-desist letter
21 and subsequent litigation for [plaintiff/counter-defendants] to
22 use the marks either for purposes of the specific requests or for
23 purposes outside of [sic] scope of those requests." Id.

24 Following a post-remand status conference on December
25 10, 2010, on January 10, 2011, the parties filed concurrent Phase
26 One¹ opening briefs on acquiescence, followed by concurrent reply
27

28 ¹ The issue of damages was bifurcated to Phase Two.

1 briefs on January 31, 2011. Upon the filing of the reply briefs,
2 the Court took the matter under submission.

3 After consideration of the parties' post-remand
4 briefing, as well as all trial exhibits and testimony, the Final
5 Pretrial Conference Order, both parties' current and previous
6 proposed Findings of Fact and Conclusions of Law, and the Court's
7 own research, the Court makes the following Findings of Fact and
8 Conclusions of Law, finding no acquiescence by
9 defendants/counter-claimants. Pursuant to the Court of Appeals'
10 remand, the Court's findings of fact only pertain to the limited
11 issue of whether defendants/counter-claimants acquiesced to
12 plaintiff/counter-defendants' use of KCREE's trademarks following
13 the July 12, 2006 cease and desist letter.

14 II.

15 FINDINGS OF FACT

16 A. The Parties

17 1. Defendant/counter-claimant Mr. Kennedy, an
18 individual residing in Georgia, is the sole officer, director and
19 shareholder of KCREE. KCREE owns an educational curriculum
20 called the Accredited Seller Representative program (the "ASR
21 program"), along with several trademarks (the "ASR trademarks")
22 and copyrighted materials related thereto. The ASR trademarks
23 include the following federal registrations: 3,071,769;
24 3,088,326; 3,093,851; 3,139,782; 3,325,443; and 3,240,837.

25 2. Plaintiff/counter-defendant SAC is a Nevada
26 Corporation. Counter-defendant Mr. Swanepoel, an individual
27 residing in California, was president of counter-defendant
28 RealtyU at all relevant times.

1 3. In September 2005, Mr. Kennedy and Mr. Swanepoel
2 executed a stock purchase agreement pursuant to which SAC was to
3 own the ASR program and trademarks upon closing. Although the
4 closing never occurred, SAC, RealtyU, and Mr. Swanepoel had
5 permission and consent to use the ASR trademarks between
6 September 8, 2005 and July 12, 2006.

7 **B. July 12, 2006 Demand Letter and Mr. Kennedy's Requests**

8 4. On July 12, 2006, through counsel, Mr. Kennedy and
9 KCREE sent a cease and desist letter to Mr. Swanepoel. The
10 letter asserted that "In light of the fact that your companies
11 [SAC and RealtyU] do not have a contract with our clients, your
12 continued use of our clients' trademarks constitutes trademark
13 infringement. Unless we can reach an accommodation with you,
14 please halt all use of our clients' trademarks." (Doc. 150-1,
15 Excerpts of Record ("ER") 29.) As a solution to the alleged
16 trademark infringement, the letter proposed an arrangement
17 whereby Mr. Kennedy would sell all of his intellectual property
18 rights to Mr. Swanepoel, with the exception of the territory of
19 Georgia.

20 5. Following receipt of the demand letter, Mr.
21 Swanepoel and Mr. Kennedy had a conversation wherein Mr. Kennedy
22 expressed that he no longer wanted to work with Mr. Swanepoel and
23 Mr. William Shue. During that conversation, Mr. Kennedy
24 initially accepted an invitation to come to California to resolve
25 any outstanding issues. However, Mr. Kennedy changed his mind a
26 few days later and no further discussions took place.

27 6. On July 25, 2006, SAC filed a complaint for
28 breach of contract and declaratory relief to determine whether it

1 owned the ASR trademarks.² On February 2, 2007, Mr. Kennedy and
2 KCREE answered and filed counterclaims for trademark
3 infringement, unfair and deceptive trade practices, unfair
4 competition, and copyright infringement.

5 7. When the litigation began, the database of ASR
6 designees was in SAC's physical possession. During this time,
7 defendants/counter-claimants could not access the database, nor
8 did they have control over plaintiff/counter-defendants' use of
9 the ASR trademarks.

10 8. During the litigation, Mr. Kennedy continued to
11 teach ASR courses and generate income from the ASR program.
12 Rather than fracturing the master ASR database, Mr. Kennedy
13 sought to have it remain complete. In an attempt to keep the
14 master database whole while it was in SAC's possession, Mr.
15 Kennedy made certain administrative requests to
16 plaintiff/counter-defendants regarding the use of his ASR
17 intellectual property.

18 9. On several occasions after the July 12, 2006
19 demand letter, as early as July 28, 2006 and as late as November
20 19, 2007, Mr. Kennedy asked plaintiff/counter-defendants to make
21 use of his ASR intellectual property as follows:

- 22 • On July 28, 2006, Mr. Kennedy sent an email to
23 Cheryl Favreau, a potential student who was unable
24

25 ² The next day, on July 26, 2006, KCREE filed a
26 trademark infringement action against SAC, RealtyU, and Barney
27 Fletcher Enterprises, Inc. in the Northern District of Georgia.
28 (Docket No. 1:06-cv-01744-TWT.) The complaint was dismissed on
April 6, 2007, for failure to effectuate service of process
within 120 days. Judgment dismissing the case was entered on
April 9, 2007.

1 to sign up for the ASR course online, with a
2 carbon copy to Tom Mitchell ("Mr. Mitchell") of
3 RealtyU. Mr. Kennedy indicated that he was
4 "forwarding this to our IT folks. Hopefully they
5 can get you going." (ER 26.)

- 6 • On or about July 25, 2006, Mr. Kennedy sent a
7 hand-written request to Mr. Mitchell regarding
8 eleven students recently taught by Mr. Kennedy.³
9 The request states that, "These are a direct
10 result of me so no per student fee is due. These
11 need to go into the system ASAP. In the interim,
12 they are being added to my data base as well.
13 Call me if you have questions." (ER 54.)

- 14 • On or about July 25, 2006, Mr. Kennedy also sent a
15 hand-written note to Anita Eree regarding five
16 student designee applications, requesting
17 "directory changes and sen[d] pen [sic]
18 certificates, ASAP." (ER 55.)

- 19 • Sometime during December 2006,⁴ Mr. Kennedy sent
20 another hand-written note to Ms. Eree regarding
21 nine student applications. The note states, "Here
22 are the apps from the December class." Mr.
23 Kennedy signed the note with a smiley face and
24

25 ³ The document appears to have been stamped on
26 September 1, 2006, perhaps indicating the request was processed
on this date.

27 ⁴ The document appears to have been stamped on January
28 2, 2007, perhaps indicating the request was processed on this
date.

1 also wrote "Happy new year." (ER 44.)

- 2 • Sometime during late January 2007,⁵ Mr. Kennedy
3 sent another request regarding sixty-seven
4 students to Mr. Mitchell and Ms. Eree, "Re:
5 Candidate Apps Blanchard Calhoun." The request
6 states, "These are from my January 13th/17th Class
7 Augusta, GA." (ER 67.)
- 8 • On or around November 19, 2007, Mr. Kennedy sent a
9 final request to Mr. Mitchell regarding twelve
10 student applications. The request states, "From
11 Kennedy Center to be placed in data base. Hope
12 you and your family have a Great Thanksgiving."
13 (ER 31.)

14 10. Plaintiff/counter-defendants complied with Mr.
15 Kennedy's requests to process additional student names by adding
16 them to the database and sending out pins and certificates.

17 11. In his requests to SAC to add a total of
18 approximately 92 student names to the database, Mr. Kennedy did
19 not intimate that he planned to release his trademark
20 infringement claim against plaintiff/counter-defendants.

21 12. Through his actions in forwarding student names to
22 SAC for inclusion in the master database, Mr. Kennedy sought to
23 avoid customer dissatisfaction by ensuring a seamless student
24 experience, one that was unaffected by the parties' ongoing
25 business dispute. By not publicizing the dispute to students,
26

27 ⁵ The document appears to have been stamped on January
28 2007, with the handwritten day of "31" written over the stamped
portion.

1 and maintaining the appearance that the program was running
2 smoothly, Mr. Kennedy hoped to minimize any injury to the ASR
3 program or its designees until the litigation was resolved.

4 13. Mr. Kennedy testified at trial that "the bottom
5 line is they [customers] expected the service. Until we got this
6 issue resolved, there was no sense in upsetting the applecart in
7 my way of thinking." (RT 06/24/08 204:15-17.) He goes on to say
8 that, "I did not want them [students] to be aware that there was
9 a - well, a federal lawsuit filed against me. Okay? And the ASR
10 designation program and such so as to actually diminish the value
11 of the entire program for all of our benefits." (RT 06/24/08
12 209:8-13.)

13 14. Mr. Kennedy's students were his top priority,
14 explaining that they "are the ones I care the most about, yes.
15 Because they're the ones - they're the ones that had paid us -
16 okay? To offer a service so that's my ultimate concern is our
17 students, yes." (RT 06/24/08 209:21-24.) The ASR students
18 "actually paid good money; they deserved to get the services and
19 so, you know, this was the deal between us as far as the
20 litigation, the lawsuit that they filed; and I was in hopes that
21 we would ultimately resolve it without it ever seemingly there
22 being a problem to our members. That's why. It would have been
23 confusing to create another Council and all of that kind of good
24 stuff." (RT 06/25/08 66:21-25, 67:1-3.)

25 15. During litigation, Mr. Kennedy forwarded his
26 student names to SAC in good faith in order to avoid creating
27 problems for the students and causing irreparable damage to the
28 program, which would hurt all the parties involved. (RT 06/25/08

66:10-20.)

16. Following the demand letter, Mr. Kennedy's conduct changed with respect to SAC. Instead of jointly promoting the ASR program in conjunction with SAC, Mr. Kennedy resumed teaching courses only for the benefit of KCREE. In addition, instead of having the \$65 student fee paid to SAC, after the demand letter, Mr. Kennedy began retaining the \$65 fee for each student he taught, for the benefit of himself and KCREE. (RT 06/24/08 202:10-24.)

C. SAC Database and SAC's Use of the ASR Trademarks

17. As of December 2005, when KCREE forwarded the student database to SAC, there were 938 students' names in the database, representing students that KCREE previously registered under the ASR designation. (RT 06/25/08 102:5-7; Deft. Tr. Ex. 191.) Upon the formation of SAC, RealtyU transferred approximately 65-85 members into the database. (RT 04/10/08 36:18-25.) From 2006-2007, Mr. Kennedy taught an additional 250-300 students. (RT 04/10/08 34:14-23.) In 2006, RealtyU provided approximately 900 members to SAC. (RT 04/10/08 37:3-8.) In 2007, RealtyU provided approximately 900 to 1,000 members to SAC. (RT 04/10/08 37:10-16.) In addition to the students taught by Mr. Kennedy and RealtyU, independent affiliates supplied approximately 300 additional members. (RT 04/10/08 38:1-3.)

18. Although Mr. Kennedy, RealtyU, and independent affiliates provided a cumulative total of over 3,500 names to the master SAC database from 2006-2007, as of April 2008, the number of active members in the database dropped to approximately 1,800

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1 to 2,000, due to attrition and collection difficulties.⁶ (RT
2 04/10/08 36:10-17, 38:3-18; RT 06/25/08 101:11-21.)

3 19. Before July 12, 2006, among other things,
4 plaintiff/counter-defendants marketed, published and licensed the
5 ASR course for schools to teach, collected fees related thereto,
6 represented to the public through press releases, personal
7 announcements, and license agreements that they owned the ASR
8 course and trademarks, maintained a membership database website
9 for ASR designees and candidates to advertise their ASR status,
10 taught the ASR course online, owned and maintained related
11 website URLs, tracked and collected student and member progress
12 and dues, issued certificates and pins to members, collected
13 membership fees, and handled customer - both student and teacher
14 - problems with the ASR program.

15 20. Plaintiff/counter-defendants' use of the
16 trademarks after July 12, 2006, did not differ from their use
17 prior to July 12, 2006.

18 21. After the cease and desist letter, Mr. Kennedy
19 made no requests with respect to plaintiff/counter-defendants'
20 marketing the ASR program. Mr. Kennedy's requests to keep the
21 database whole were made in order to benefit Mr. Kennedy and/or
22 KCREE, and to protect existing and future ASR designees.

23 //

24 //

25
26 ⁶ Defendants' Trial Exhibit 190 shows a total of 6,315
27 ASR members, but this number is overstated because it includes a
28 number of duplicate registrations. Defendants' proposed findings
of fact #62-63 indicate that there may have been 2,463 active
students as of March 2008, but the Court has insufficient data
before it to adopt this figure.

III.

CONCLUSIONS OF LAW

1. In Seller Agency Council, 621 F.3d at 989, the Court of Appeals adopted the test for acquiescence used in the Eleventh and Second Circuits. See Coach House Rest. v. Coach and Six Rests., Inc., 934 F.2d 1551, 1558 (11th Cir. 1991); ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy P.C., 314 F.3d 62, 67 (2d Cir. 2002). Under this test, to demonstrate a *prima facie* case of acquiescence, a defendant must show:

(1) The senior user actively represents that it would not assert a right or a claim;

(2) The delay between the active representation and assertion of the right or claim was not excusable; and,

(3) The delay caused the defendant undue prejudice. Seller Agency Council, 621 F.3d at 989.

2. In addition to setting forth a practical test that district courts may follow, noting the factual difficulties in this case, the Court of Appeals instructed that, "the proper inquiry is whether and to what extent [plaintiff/counter-defendants] relied reasonably on [defendants/counter-claimants'] active representations that [plaintiff/counter-defendants] had a right to use the marks." Id. at 991.

3. The doctrine of acquiescence turns on "'a consideration of the circumstances of each particular case and a balancing of the interests and equities of the parties.'" ProFitness, 314 F.3d at 67 (quoting Carl Zeiss Stiftung v. VEB Carl Zeiss Jena, 433 F.2d 686, 703 (2d Cir. 1970)).

1 **A. Active Representations**

2 4. Acquiescence "limits a party's right to bring suit
3 following an affirmative act by word or deed by the party that
4 conveys implied consent to another." Seller Agency, 621 F.3d at
5 988 (citing 6 J. Thomas McCarthy, McCarthy on Trademarks and
6 Unfair Competition, § 31:42 (4th ed. 2008)).

7 5. "Active consent is implied by conduct on the
8 plaintiff's part that amounts to an assurance to the defendant,
9 express or implied, that the plaintiff would not assert his
10 trademark rights against the defendant." ProFitness, 314 F.3d at
11 68 (internal quotation marks and alteration omitted).

12 6. Typically, any acts "after receiving a cease and
13 desist letter are at the defendant's own risk because it is on
14 notice of plaintiff's objections to such acts." Id. at 68
15 (internal quotation marks omitted). However, the effects of a
16 cease and desist letter may be ameliorated by a good faith
17 response that a plaintiff subsequently ignores. Id.

18 7. As discussed above, defendants/counter-claimants
19 made certain requests to plaintiff/counter-defendants regarding
20 the processing of student names, both after the cease and desist
21 letter was sent, and after the instant trademark infringement
22 complaint and counterclaims were filed. Given the ministerial
23 nature of these requests, combined with the fact that the ASR
24 database was in the possession of plaintiff/counter-defendants,
25 Mr. Kennedy's conduct is not deemed a *carte blanche* grant of
26 permission to use the marks for any or all program uses,
27 including but not limited to marketing, publishing, and licensing
28 the ASR course for the benefit of plaintiff/counter-defendants.

1 8. The limited scope of Mr. Kennedy's requests to SAC
2 does not lead to the implication that plaintiff/counter-
3 defendants could freely use the marks for their own benefit in
4 the face of a cease and desist letter and ongoing litigation.
5 See Coach House, 934 F.2d at 1558 (active representation that
6 defendant could use logo does not lead to the implication that
7 defendant had permission to do more with logo).

8 9. Failing to object to a junior user's conduct is
9 not the equivalent of an active assurance that a senior user will
10 not bring a claim. Auction Management Solutions, Inc. v. Manheim
11 Auctions, Inc., et al., 2008 WL 4452362, *6 (N.D. Ga. Sept. 30,
12 2008) (not reported) (plaintiff did not complain about
13 defendant's marketing practices with respect to plaintiff's
14 customers, but plaintiff never *actively represented* it would not
15 assert a right or claim with respect to its mark; failure to
16 object is not legal acquiescence). Here, Mr. Kennedy did not
17 actively represent he would not assert a claim; instead, he sent
18 plaintiff/counter-defendants a cease and desist letter and
19 *actively* pursued litigation regarding trademark infringement.
20 That no follow-up cease and desist letters were sent
21 periodically, to object to plaintiff's/counter-defendants' varied
22 and ongoing use of the ASR marks, does not give rise to legal
23 acquiescence, especially where a claim for trademark infringement
24 was already being pursued.

25 10. Moreover, "[w]hile a plaintiff may acquiesce in
26 some uses of the mark, . . . that acquiescence does not extend to
27 a use that has not yet materialized[.]" ProFitness, 314 F.3d at
28 69. Here, the cease and desist letter notified

1 plaintiff/counter-defendants that they no longer had permission
2 to use the ASR marks. Following the letter, Mr. Kennedy
3 acquiesced to use of the ASR marks in the context of keeping the
4 database whole and providing processing services to his paying
5 customers. This limited acquiescence did not extend to
6 plaintiff/counter-defendants' renewed use (following the July 12,
7 2006 revocation of consent), which went beyond compliance with
8 Mr. Kennedy's requests and encompassed the type of use undertaken
9 before the demand letter.⁷ See also Operation Able of Greater
10 Boston, Inc. v. Nat'l Able Network, Inc., 646 F. Supp. 2d 166,
11 174 (D. Mass. 2009) (the fact that plaintiff acquiesced to
12 certain use does not preclude it from challenging use by
13 defendant that exceeds the scope of plaintiff's acquiescence);
14 Trans Union LLC v. Credit Research, Inc., 142 F. Supp. 2d 1029,
15 1041 (N.D. Ill. 2001) (same).

16 11. Mr. Kennedy's course of conduct, including the
17 fact that he stopped marketing the ASR program in conjunction
18 with SAC, and stopped forwarding student fees to SAC, suggests
19 that things were not "business as usual" after the dispute arose.
20 Instead, Mr. Kennedy's limited representations regarding
21 permissible use of the marks centered on preservation of the
22 value of the marks and the ASR program for his own future
23 benefit. See Trans Union, 142 F. Supp. 2d at 1041 n.9 (a

25 ⁷ The fact that Mr. Kennedy's requests generally
26 maintained a cordial tone can not be deemed as an active
27 representation that he would abandon his trademark infringement
28 claim. Mr. Kennedy apparently had no personal issues with Mr.
Mitchell and Ms. Eree and maintained a positive tone in his notes
to them, notwithstanding the ongoing dispute with Mr. Swanepoel,
RealtyU, and SAC.

1 trademark owner's use of its own marks does not prove that it
2 acquiesced to defendant's use of the marks).

3 12. A trademark owner's decision to maintain the
4 status quo in the eyes of customers during a pending dispute does
5 not constitute evidence of the relinquishment of trademark
6 rights. Trace Minerals Research, L.C. v. Mineral Res. Int'l,
7 Inc., 505 F. Supp. 2d 1233, 1243 (D. Utah 2007) (while dispute is
8 ongoing, decision to acknowledge exclusive agreement to potential
9 buyer, notwithstanding the fact that agreement was in dispute,
10 does not constitute evidence that plaintiff gave up its rights).

11 13. This is not a case in which defendants/counter-
12 claimants actively participated in deception of the public in
13 order to promote the belief that the junior user's goods were
14 actually sourced by the senior user. See Getty Petrol. Corp. v.
15 Shore Line Oil Co., Inc., 642 F. Supp. 203, 206 (E.D.N.Y. 1986)
16 ("where the owner of the trademark has participated by its
17 acquiescence in deceiving the public into believing that the
18 source of goods is that of the trademark owner, enforcement of
19 its right . . . should be denied"). Following the demand letter,
20 while Mr. Kennedy did not actively seek to correct public
21 perception that the ASR program was not owned by SAC, this course
22 of action was not to deceive the public, but to preserve the
23 goodwill of his marks and business during the pendency of
24 litigation

25 14. Plaintiff/counter-defendants do not carry their
26 burden to demonstrate that the scope of defendants/counter-
27 claimants' representations convey consent for all use undertaken
28 after July 12, 2006, nor do the representations suggest that

1 defendants/counter-claimants would forego their claim for use of
2 the ASR marks.

3 15. The absence of one of the required elements of
4 acquiescence is sufficient to deny the equitable defense. Coach
5 House, 934 F.2d at 1558.

6 **B. Delay**

7 16. The period of delay is calculated from when the
8 senior user has notice that the junior user's actions would give
9 rise to a claim. Coach House, 934 F.2d at 1558 (period of delay
10 starts after junior user began using mark outside the scope of
11 senior user's permitted use).

12 17. When litigants have been engaged in continuous
13 business dealings and the trademark owner impliedly encourages
14 continued use of its trademarks over a long period of time,
15 acquiescence may be found. 6 J. Thomas McCarthy, McCarthy on
16 Trademarks and Unfair Competition, § 31:42 (4th ed. 2008) (citing
17 cases with periods of delay ranging from eight to thirty-five
18 years). See also TMT North Am., Inc. v. Magic Touch, 124 F.3d
19 876, 885 (7th Cir. 1997) (on motion for preliminary injunction,
20 plaintiff's conduct during negotiations and continued use of
21 defendant as a distributor for period of three years after
22 dispute arose "could well rise to the level of acquiescence").

23 18. Where, as here, a demand letter was sent shortly
24 after a breakdown in the parties' business relationship, dueling
25 complaints were immediately filed in this district and the
26 Northern District of Georgia, and defendants/counter-claimants
27 asserted trademark infringement counterclaims simultaneous with
28 answering plaintiff's complaint, the Court does not find this

1 period of delay, if any, unreasonable. See Coach House, 934 F.2d
2 at 1558-59 (period of delay just over one year "not unreasonable
3 and certainly not inexcusable under the circumstances").

4 **C. Reliance/Undue Prejudice**

5 19. "[P]rejudice in the context of acquiescence
6 inherently must involve reliance on the senior user's affirmative
7 act or deed, and such reliance must be reasonable." Seller
8 Agency, 621 F.3d at 990. "When inquiring into the reasonableness
9 of reliance, a district court must examine both the context of
10 the affirmative act and the context in which that act was
11 performed." Id.

12 20. Actively encouraging a junior user to use mark for
13 a long period of time may lead to a finding of prejudice where
14 the junior user acts in reliance on such encouragement and builds
15 up a business around the mark. Ambrosia Chocolate Co. v.
16 Ambrosia Cake Bakery, Inc., 165 F.2d 693, 695 (4th Cir. 1947)
17 ("active encouragement and commercial urging by plaintiff to
18 induce defendant to make and vend its cakes under the name
19 'Ambrosia'" resulted in finding of acquiescence). See also
20 Ironclad, L.P. v. Poly-Am., Inc., 2000 WL 1400762, *13-14 (N.D.
21 Tex. July 28, 2000) (not reported) (co-participation in business
22 program and earning profits therefrom for one year before
23 objecting to program's use of mark may lead to reasonable
24 reliance that use was permissible; however, no prejudice shown
25 where no business built up around name prior to senior user
26 objecting to use of mark).

27 21. Mr. Kennedy's representations and
28 plaintiff/counter-defendants' subsequent use of the ASR marks

1 took place in the context of an ongoing business dispute and
2 litigation. Given the context and limited nature of the
3 representations, it was unreasonable for plaintiff/counter-
4 defendants to rely on the representations as a *carte blanche*
5 grant of permission to carry on with all use of the marks, just
6 as they had done before the demand letter.

7 22. Mr. Kennedy's limited requests to process his
8 students do not constitute assurance that plaintiff/counter-
9 defendants should build their own business around infringing
10 activities. Any continued use of the marks in light of the
11 ongoing dispute, and outside the context of Mr. Kennedy's limited
12 requests, was not reasonably justified. Because the resulting
13 reliance was not reasonable, there can be no prejudice. Seller
14 Agency, 621 F.3d at 990.

15 23. Under the Lanham Act, the prevailing trademark
16 owner is entitled to an award of damages. See 15 U.S.C. § 1117.

17 **D. Equitable Considerations**

18 24. The Court is mindful that acquiescence turns on
19 the circumstances in each case, requiring balancing the parties'
20 equities. ProFitness, 314 F.3d at 67.

21 25. Considering the complicated factual background of
22 this case, along with the circumstances surrounding the parties'
23 business dispute, including a dispute over the ASR trademarks,
24 the equities in this case point to a finding of no acquiescence.
25 As of July 2006, plaintiff/counter-defendants were put on notice
26 of possible infringement, both through the demand letter and the
27 litigation that followed. In light of Mr. Kennedy's changed
28 behavior after the dispute arose, including cessation of joint

1 marketing activities and retention of student fees for himself,
2 it would be inequitable to excuse plaintiff/counter-defendants'
3 use of the ASR trademarks for the two-year period leading up to
4 entry of judgment based solely on Mr. Kennedy's limited requests.

5 **IV.**

6 **CONCLUSION**

7 For the foregoing reasons, the Court finds in favor of
8 defendants/counter-claimants, and rejects plaintiff/counter-
9 defendants' affirmative defense of acquiescence. A separate
10 order will issue regarding Phase Two briefing.

11 The Clerk shall serve the Court's Findings of Fact and
12 Conclusions of Law on counsel of record for all parties in this
13 action.

14 Dated: March 30, 2011.

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16 ALICEMARIE H. STOTLER

17 Alicemarie H. Stotler
18 U.S. District Judge
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